FISK UNIVERSITY

FINANCIAL STATEMENTS
AND SUPPLEMENTAL INFORMATION

JUNE 30, 2010

FISK UNIVERSITY

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Independent Auditors' Report

Members of the Audit Committee
Fisk University Board of Trustees
Nashville, Tennessee

We have audited the accompanying balance sheet of Fisk University (the "University") as of June 30, 2010, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the University's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the University's fiscal 2009 financial statements and, in our report dated August 20, 2009, we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Fisk University as of June 30, 2010, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note J to the financial statements, the University sought a declaratory ruling that it has the legal authority to sell certain art of significant value. The art is included in investments in art collections in the financial statements. The ruling was initially delayed by the now unsuccessful attempt to block a sale of the artwork by the Georgia O'Keeffe Museum. The University is party to an agreement which effectuates a sharing arrangement whereby the University would sell a 50% undivided interest in certain art which includes the art for which the ruling was sought. On November 3, 2010, the Davidson County Chancery Court (the "Chancery Court") approved the sharing arrangement, however the ruling provides for certain limitations on the use of the proceeds. On December 1, 2010, the University filed a Notice of Appeal with the Tennessee Court of Appeals regarding this ruling. The University is of the opinion that it has the legal authority to sell the art without the approval of any person or entity, with the use of the proceeds unrestricted. Since the ultimate outcome of this litigation cannot presently be determined, no adjustments, if any, that may result from the resolution of this matter have been made in the financial statements.

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In accordance with *Government Auditing Standards*, we have also issued our report dated April 14, 2011, on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. The report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was performed for the purpose of forming an opinion on the basic financial statements of Fisk University taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Crosslin & Associates, P.C.

April 14, 2011
Nashville, Tennessee

FISK UNIVERSITY
BALANCE SHEET
JUNE 30, 2010
(with comparative totals for 2009)

ASSETS

	2010	2009
Cash, cash equivalents and restricted cash	$ 2,184,255	$ 2,625,386
Accounts, grants and contributions receivable, less allowance for doubtful accounts and discount	5,812,321	6,231,788
Notes receivable, less allowance for doubtful accounts	355,507	393,851
Prepaid expenses and other assets	707,077	695,162
Investments in marketable securities	4,937,225	4,802,823
Investments in art collections	68,201,495	68,201,495
Real estate held for investment	123,350	123,350
Property and equipment, at cost, net of accumulated depreciation	25,218,320	26,770,546
Total assets	$107,539,550	$109,844,401

LIABILITIES

	2010	2009
Accounts payable and accrued expenses	$ 4,058,688	$ 3,841,737
Deposits	49,000	66,265
Deferred revenue	1,519,348	1,126,522
Capital lease obligations	144,031	212,309
Bank lines-of-credit and note payable	4,394,688	4,488,779
Bonds payable	8,464,519	8,729,519
Advances from Federal government for Perkins loan programs	394,866	323,721
Total liabilities	19,025,140	18,788,852

NET ASSETS

	2010	2009
Unrestricted	71,792,164	75,481,850
Temporarily restricted	4,530,623	3,648,197
Permanently restricted	12,191,623	11,925,502
Total net assets	88,514,410	91,055,549
	$107,539,550	$109,844,401

See accompanying notes to financial statements.

FISK UNIVERSITY
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2010
(with comparative totals for 2009)

	Unrestricted	Temporarily Restricted	Permanently Restricted
Operating activities:			
Revenue and other support:			
Tuition and fees	$ 10,412,034	$ -	$ -
Less scholarships and fellowships	(3,889,647)	-	-
Net tuition and fees	6,522,387	-	-
Governmental grants and contracts	7,835,223	-	-
Private gifts and grants	912,808	1,624,006	-
Endowment spending payout	137,200	-	-
Sales and services of auxiliary enterprises	2,934,271	-	-
Other sources	586,186	-	-
Net assets released from restrictions (Note K)	944,939	(944,939)	-
Total revenue and other support	19,873,014	679,067	-
Expenses:			
Instruction	5,664,987	-	-
Research	3,853,962	-	-
Academic support	2,822,062	-	-
Student services	2,319,115	-	-
Institutional support	5,709,880	-	-
Auxiliary enterprises	3,970,130	-	-
Total expenses	24,340,136	-	-
Net (decrease) increase in net assets from operating activities	(4,467,122)	679,067	-
Non-operating activities:			
Private gifts and grants	-	-	266,121
Net gain (loss) on endowment and other investments, net of amount appropriated for endowment spending payout	130,909	203,359	-
Gain on involuntary conversion (Note E)	646,527	-	-
Net increase (decrease) in net assets from non-operating activities	777,436	203,359	266,121
Net (decrease) increase in net assets	(3,689,686)	882,426	266,121
Net assets at beginning of year	75,481,850	3,648,197	11,925,502
Net assets at end of year	$ 71,792,164	$ 4,530,623	$12,191,623

Total	
2010	2009
$ 10,412,034	$ 11,067,455
(3,889,647)	(4,076,679)
6,522,387	6,990,776
7,835,223	6,774,067
2,536,814	4,889,408
137,200	118,825
2,934,271	3,839,549
586,186	590,969
-	-
20,552,081	23,203,594
5,664,987	5,665,148
3,853,962	3,133,483
2,822,062	3,449,009
2,319,115	2,265,154
5,709,880	5,844,396
3,970,130	3,817,624
24,340,136	24,174,814
(3,788,055)	(971,220)
266,121	393,527
334,268	(1,570,717)
646,527	-
1,246,916	(1,177,190)
(2,541,139)	(2,148,410)
91,055,549	93,203,959
$ 88,514,410	$ 91,055,549

See accompanying notes to financial statements.

FISK UNIVERSITY
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2010
(with comparative totals for 2009)

	2010	2009
Cash flows from operating activities:		
Change in net assets	$(2,541,139)	$(2,148,410)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation expense	3,074,455	2,903,521
Amortization expense	18,691	18,691
(Gain) losses on investments	(365,503)	1,578,258
Bad debt expense	574,060	77,146
Endowed gifts reclassified to financing activities	(266,121)	(408,527)
Increase in accounts, grants and contributions receivable	(154,593)	(1,359,692)
Decrease (increase) in notes receivable	38,344	(118,291)
Increase in prepaid expenses and other assets	(30,606)	(138,073)
Increase (decrease) in accounts payable, accrued expenses and deferred revenue	609,777	(377,499)
(Decrease) increase in deposits	(17,265)	9,500
Net cash provided by operating activities	940,100	36,624
Cash flows from investing activities:		
Net decrease in investments	231,101	796,307
Purchase of property and equipment	(1,522,229)	(2,421,149)
Increase in advances from Federal government	71,145	(5,965)
Net cash used in investing activities	(1,219,983)	(1,630,807)
Cash flows from financing activities:		
Endowed gifts reclassified from operating activities	266,121	408,527
Proceeds from lines-of-credit	77,064	230,182
Principal repayment of capital lease obligations	(68,278)	(68,600)
Principal repayment of bonds and notes payable	(436,155)	(834,450)
Net cash used in financing activities	(161,248)	(264,341)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(441,131)	(1,858,524)
CASH, CASH EQUIVALENTS AND RESTRICTED CASH, beginning of year	2,625,386	4,483,910
CASH, CASH EQUIVALENTS AND RESTRICTED CASH, end of year	$ 2,184,255	$ 2,625,386
Supplemental disclosure and non-cash investing and financing activities:		
Cash paid for interest	$ 612,566	$ 664,592

During fiscal 2009, the University acquired equipment through capital leases totaling $15,788.

See accompanying notes to financial statements.

A. DESCRIPTION OF THE ORGANIZATION

Fisk University (the "University") is a private, not-for-profit, liberal arts institution of higher education affiliated with the United Church of Christ through the American Missionary Association. Founded in 1866, the University offers undergraduate and graduate degrees.

The University is accredited by the Southern Association of Colleges and Schools and is a member of the United Negro College Fund.

B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND OTHER MATTERS

A summary of the significant accounting policies consistently applied in the preparation of the accompanying financial statements is as follows:

Basis of Accounting

The financial statements of the University have been prepared using the accrual basis of accounting.

Basis of Presentation

The University classifies its revenues, expenses, gains, and losses into three classes of net assets based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the University and changes therein are classified and reported as follows:

> Unrestricted net assets - Net assets that are not subject to donor-imposed stipulations.
>
> Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that may or will be met either by actions of the University and/or the passage of time.
>
> Permanently restricted net assets - Net assets subject to donor-imposed stipulations that the University maintain them permanently. Generally, the donors of these assets permit the University to use all or part of the income earned on related investments for general or specific purposes.

The amount for each of these classes of net assets is presented in the balance sheet and the amount of change in each class of net assets is displayed in the statement of activities.

B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND OTHER MATTERS - Continued

Contributions

The University reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or the purpose of the restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

The University reports gifts of land, buildings, and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations regarding how long the long-lived assets must be maintained, the University reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Contributions of services are recognized if the services received (a) create or enhance non-financial assets or (b) require specialized skills, are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation.

In the event a donor makes changes to the nature of a restricted gift, which affects its classification among the net asset categories, such amounts are reflected as reclassifications in the statement of activities.

Contributions, including unconditional promises to give, are recognized as revenues in the period received. Conditional promises to give are not recognized until they become unconditional, that is when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value. Contributions to be received after one year are discounted at an appropriate discount rate commensurate with the risks involved. Amortization of discounts is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions. An allowance for uncollectible contributions receivable is provided based upon management’s judgment including such factors as prior collection history, type of contribution and nature of fundraising activity.

Comparative Financial Statements

The summarized financial information shown for fiscal 2009 in the accompanying balance sheet and statement of activities and cash flows is included to provide a basis for comparison with fiscal year 2010. Certain reclassifications have been made to the financial data for fiscal 2009 to conform to the presentation adopted for fiscal year 2010.

B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND OTHER MATTERS - Continued

Use of Estimates in the Preparation of Financial Statements

Judgment and estimation is exercised by management in certain areas of the preparation of financial statements. The more significant areas include the recovery period for buildings and equipment, the allocation of certain operating and maintenance expenses to functional categories, the collection of contributions receivable, and the allowance for doubtful receivables. Management believes that such estimates have been based on reasonable assumptions and that such estimates are adequate. Actual results could differ from those estimates.

Cash, Cash Equivalents and Restricted Cash

For purposes of the statement of cash flows, the University's cash and cash equivalents include interest-bearing money market accounts and all highly liquid debt instruments with a maturity of less than three months at the date of purchase. Included in the cash balances at June 30, 2010 and 2009, are the following groups of cash and cash equivalents:

	2010	2009
Bond reserves held by trustee - restricted cash	$1,106,896	$1,090,281
Cash from Federal Perkins loan program	56,736	65,391
Other restricted cash	576,538	552,637
Other operating cash	444,085	917,077
Total cash and cash equivalents	$2,184,255	$2,625,386

The University maintains cash balances in financial institutions that it considers to be high quality financial institutions.

Investments

Investments in equity securities with readily determinable fair values and all investments in debt securities are reported at fair value. Investments in art are stated at the most recently available independently appraised values and fair values based upon an agreement to sell certain art (Notes D and J). All gains and losses arising from the sale, collection or other disposition of investments and ordinary income derived from investments are accounted for in the net assets group owning such assets, except for income derived from investments of permanently restricted endowment and similar funds which is accounted for as discussed in Note O.

B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND OTHER MATTERS - Continued

Property, Buildings and Equipment

Property, buildings and equipment are stated at cost in the accompanying balance sheet or if contributed, at estimated fair value at the time of contribution. It is the University's policy to capitalize expenditures for these items in excess of $5,000. Library holdings have been recorded at actual cost by the University.

Depreciable assets are being depreciated using the straight-line method over the estimated useful lives of the assets as follows:

Buildings	40 years
Improvements	15-25 years
Library holdings	10 years
Equipment	3-10 years

Allowance for Doubtful Accounts

Accounts, contributions, and notes receivable are reported net of allowances for doubtful accounts and include receivables from students for tuition and fees and loans extended under the Federal Perkins Loan Program. The determination of the allowances for doubtful accounts is based upon an analysis of the receivables and reflects amounts, which in management's judgment, are adequate to provide for potential uncollectible accounts or losses after giving consideration to the growth and composition of the receivable balances, current economic conditions, and past collection and loss experience. The following allowances are recorded in the accompanying balance sheets:

	2010	2009
Student accounts and grant receivables	$2,423,780	$2,195,443
Federal Perkins and institutional notes receivable	$1,363,680	$1,363,680

Bond Issuance Costs

The University amortizes deferred bond issuance costs of $376,371 over the twenty-year life of the related bonds using the interest method. The unamortized balances were $171,883 and $190,574 at June 30, 2010 and 2009, respectively, which are included in prepaid expenses and other assets. The total amortization expense was $18,691 for each of the years ended June 30, 2010 and 2009.

B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND OTHER MATTERS - Continued

Deferred Revenue

Deferred revenue consists of cash receipts collected or billed prior to year-end, for services rendered after year-end. These receipts primarily pertain to upcoming semester fees and unearned grant revenue.

Income Taxes

The University is exempt from Federal and State income taxes under Section 501(c)(3) of the Internal Revenue Code; accordingly, no provision for income taxes has been made in the accompanying financial statements. The University is not classified as a private foundation.

The University accounts for the effect of any uncertain tax positions based on a *more likely than not* threshold to the recognition of the tax positions being sustained based on the technical merits of the position under examination by the applicable taxing authority. If a tax position or positions are deemed to result in uncertainties of those positions, the unrecognized tax benefit is estimated based on a *cumulative probability assessment* that aggregates the estimated tax liability for all uncertain tax positions. Tax positions for the University include, but are not limited to, the tax-exempt status and determination of whether income is subject to unrelated business income tax; however, the University has determined that such tax positions do not result in an uncertainty requiring recognition.

Fair Value Measurements

Assets and liabilities recorded at fair value in the balance sheets are categorized based on the level of judgment associated with the inputs used to measure their fair value (Note P). Level inputs, as defined by Financial Accounting Standards Board Accounting Standards Codification (ASC) 820 *Fair Value Measurements and Disclosures*, are as follows:

Level 1 - Values are unadjusted quoted prices for identical assets and liabilities in active markets accessible at the measurement date.

Level 2 - Inputs include quoted prices for similar assets or liabilities in active markets, quoted prices from those willing to trade in markets that are not active, or other inputs that are observable or can be corroborated by market data for the term of the instrument. Such inputs include market interest rates and volatilities, spreads and yield curves.

Level 3 - Certain inputs are unobservable (supported by little or no market activity) and significant to the fair value measurement. Unobservable inputs reflect the University's best estimate of what hypothetical market participants would use to determine a transaction price for the asset or liability at the reporting date.

C. CONTRIBUTIONS RECEIVABLE

Contributions receivable at June 30, 2010 and 2009, (included in accounts and contributions receivable) consisted of the following:

	2010	2009
Unconditional promises expected to be collected in:		
Less than one year	$ 490,595	$ 1,801,426
One year to five years	1,131,639	867,381
More than five years	1,062,582	1,171,305
	2,684,816	3,840,112
Less allowance for uncollectible pledges and unamortized discount	(531,680)	(549,950)
	$ 2,153,136	$ 3,290,162

D. INVESTMENTS

At June 30, 2010 and 2009, investments, stated at market value, are comprised of the following significant classifications:

	2010	2009
Certificates of deposit and money market funds	$1,187,593	$ 977,995
Corporate stocks	762,846	702,464
Mutual bond and corporate stock funds	2,986,786	3,122,364
	$4,937,225	$4,802,823

At June 30, 2010 and 2009, the University had funds held in trust amounting to $1,238,360 and $1,150,468, respectively. These funds are held by a financial institution for the benefit of the University and have been included in investments.

The return (investment income, gains and losses) on investments in marketable securities was 9.7% and (24.2)% based on the average market value of such investments for fiscal years 2010 and 2009, respectively.

The University's collections of art held for investment are stated at the most recently available independently appraised values and the fair values based upon an agreement to sell certain art, executed on September 24, 2007 and remains in effect as of June 30, 2010. Investments in art collections totaled $68,201,495 at June 30, 2010 and 2009 (See Note J). The market for art is volatile and it is possible that appraised values could change materially. The collection consists of paintings, photographs, sculptures and various other pieces.

E. PROPERTY, BUILDINGS AND EQUIPMENT

A summary of property and equipment at June 30, 2010 and 2009 are as follows:

	2010	2009
Land and improvements	$ 1,084,190	$ 1,084,190
Buildings	48,777,443	47,595,059
Equipment and furniture	23,655,839	23,296,031
Library books	1,887,029	1,887,029
Construction in progress	687,335	707,298
	76,091,836	74,569,607
Less: Accumulated depreciation	(50,873,516)	(47,799,061)
Property and equipment, net	$ 25,218,320	$ 26,770,546

Depreciation expense totaled $3,074,455 and $2,903,521 for the years ended June 30, 2010 and 2009, respectively.

In May 2010, the Middle Tennessee area experienced heavy rainfall and flooding which resulted in damage to certain University property. The insurance proceeds to be received for the replacement and repair of the University's facilities as a result of the flood exceed the impairment of the assets damaged by $646,527, and this gain has been recognized in the financial statements.

The estimated cost to complete construction in progress at June 30, 2010 was approximately $160,000, which relates primarily to the renovation of various campus buildings.

F. BANK LINES-OF-CREDIT AND NOTES PAYABLE

The University has a $1,550,000 line-of-credit with a commercial bank, collateralized by real estate and equipment, bearing interest at the prime rate (3.25% at June 30, 2010) payable monthly and maturing December 31, 2011. The outstanding balance was $1,550,000 and $1,542,936 at June 30, 2010 and 2009, respectively.

The University has a $300,000 line-of-credit with a commercial bank, collateralized by investments, bearing interest at the prime rate, not to be less than 5.5% (5.5% at June 30, 2010), payable monthly. The line-of-credit matures June 20, 2011. The outstanding balance was $299,840 and $230,182 at June 30, 2010 and 2009, respectively.

F. BANK LINES-OF-CREDIT AND NOTES PAYABLE - Continued

At June 30, 2010 and 2009, the University had a note payable to an investment manager with an outstanding balance of $270,853 and $308,036 respectively, collateralized by certain investments. The note payable bears interest at .75% over the prime rate (4.0% at June 30, 2010) accruing monthly.

At June 30, 2010 and 2009, the University had a note payable to a financial institution with an outstanding balance of $6,620 and $13,929, respectively, collateralized by a vehicle. The note is due in monthly principal and interest payments of $684 through May 2011.

The University also has a note payable with a financial institution due in monthly payments of principal and interest of $25,168 through August 2021. The note payable bears interest at 7.47% and is collateralized by real estate. The outstanding balance was $2,267,375 and $2,393,696 at June 30, 2010 and 2009.

The maturities of bank lines-of-credit and notes payable are as follows:

Year Ending June 30	Amount
2011	$ 714,381
2012	1,697,664
2013	159,080
2014	171,379
2015	184,629
Thereafter	1,467,555
	$4,394,688

G. BONDS PAYABLE

Bonds payable at June 30, 2010 and 2009 consisted of the following:

	2010	2009
Revenue bonds, Series 1998, bearing interest at a rate of 5.99%, paying interest semi-annually and maturing in varying annual principal installments through 2018.	$3,435,000	$3,700,000
Revenue bonds, Series 2000, bearing a variable interest rate, initially at 6% and currently at 3.25% and paying interest semi-annually and maturing in varying annual principal installments through 2020.	5,029,519	5,029,519
	$8,464,519	$8,729,519

G. BONDS PAYABLE - Continued

The maturities of bonds payable are as follows:

Year Ending, June 30	
2011	$ 300,000
2012	315,000
2013	335,000
2014	355,000
2015	380,000
Thereafter	6,779,519
	$8,464,519

1998 Bond Issue

The Series 1998 Revenue bonds were issued by the Health and Educational Facilities Board of the Metropolitan Government of Nashville and Davidson County, Tennessee. The proceeds were loaned to the University and used for construction and renovation of certain buildings of the University. Certain revenues, equipment, land, buildings and improvements of the University collateralize the 1998 bonds. The University is required to make monthly principal and interest payments to the trustee equal to one-sixth of the next semi-annual principal and interest payment. At June 30, 2010 and 2009, $929,970 and $958,059, respectively, were held by the bond trustee for the aforementioned payment, and were classified as cash and cash equivalents in the accompanying balance sheet. The loan agreement contains various covenants. The University was in compliance with the covenants or had obtained appropriate waiver related to the 1998 bond issue.

2000 Bond Issue

The Series 2000 Revenue bonds were issued by the Health and Educational Facilities Board of the Metropolitan Government of Nashville and Davidson County, Tennessee. The proceeds were loaned to the University and used for construction and renovation of certain buildings of the University. The 2000 bonds are collateralized by a pledge of the University's revenues and certain land, buildings and improvements of the University. Monthly principal and interest payments are to be made to the bond trustee. At June 30, 2010 and 2009, the trustee held $176,926 and $132,222, respectively, as repayment for the bond obligations. The above funds are classified as cash and cash equivalents in the accompanying balance sheet. The loan agreement contains various covenants. The University was in compliance with the covenants or had obtained appropriate waiver related to the 2000 bond issue.

H. CAPITAL LEASE OBLIGATIONS

At June 30, 2010 and 2009, the University had capital lease obligations as follows:

	2010	2009
8.46% capital lease obligation for copier equipment, principal and interest due in monthly installments of $125 through December 20, 2009	$ -	$ 732
8.46% capital lease obligation for copier equipment, principal and interest due in monthly installments of $1,603 through November 15, 2009	-	7,848
13.20% capital lease obligation for dish washing equipment, principal and interest due in monthly installments of $329 through August 9, 2009	-	1,793
15.01% capital lease obligation for 2 way radio and repeater system, principal and interest due in monthly installments of $535 through April 25, 2012	10,219	12,553
9.22% capital lease obligation for telephone equipment, principal and interest due in monthly installments of $5,501 through August 19, 2012	133,812	189,383
	$144,031	$212,309

Minimum lease payments on capital lease obligations at June 30, 2010, are as follows:

Year Ending June 30,	
2011	$ 72,427
2012	71,357
2013	16,625
	160,409
Amount representing interest	(16,378)
	$ 144,031

I. RETIREMENT PLAN

The University sponsors a defined contribution retirement plan covering employees who meet certain eligibility requirements. The University's contributions to the plan are discretionary. The University contributed $76,961 and $176,956 to the plan for the years ended June 30, 2010 and 2009, respectively.

J. COMMITMENTS AND CONTINGENCIES

In 2004, the University began to explore the sale of two 20th century paintings in its possession believed to be subject to various conditions. Because of these presumed conditions, in an abundance of caution, the University sought a ruling from the Chancery Court of Davidson County, Tennessee (the "Chancery Court"), stating that the University has an unfettered right to sell the paintings notwithstanding the requests and various conditions imposed on the art by the donors. This ruling was initially delayed by the now unsuccessful attempt to block the sale by the Georgia O'Keeffe Museum.

Presently, the University is party to an agreement which effectuates a sharing arrangement whereby the University would sell a 50% undivided interest in certain art, including the paintings discussed above, for $30 million to the Crystal Bridges Museum of American Art ("Crystal Bridges") located in Arkansas. The Sharing Arrangement sets forth the terms and conditions of the parties' mutual ownership and the care and display of the art. Pursuant to a provision of Tennessee law, the Attorney General of the State of Tennessee has objected to this sale.

On November 3, 2010, the Chancery Court approved the University's Sharing Arrangement with Crystal Bridges. The Court's ruling holds that: (i) Fisk may only have the discretionary use of $10 million of the $30 million to be paid by Crystal Bridges to Fisk for the art, and (ii) the remainder of the funds must be placed in an endowment fund with the interest to be used solely for the costs of displaying, maintaining and study of the art.

On December 1, 2010, the University filed a Notice of Appeal with the Tennessee Court of Appeals (the "Court of Appeals"). On December 2, 2010, the Attorney General also filed a Notice of Appeal with the Court of Appeals. The briefing process is expected to conclude on or around May 22, 2011. After May 22, 2011, the Court of Appeals will set a panel to hear oral arguments, and schedule a hearing date. At this time, it is impossible to predict when the Court of Appeals will hear this matter or issue a decision.

The ultimate outcome of this litigation cannot be determined at present. Accordingly, adjustments, if any, that might result from the resolution of this matter have not been reflected in the financial statements.

J. COMMITMENTS AND CONTINGENCIES - Continued

The University is also subject to various other claims and legal actions, which arise, in the ordinary course of business. In the opinion of management, the ultimate resolution of such matters will not have a material adverse effect on the University's financial position or results of operations.

Federal and State Funds

All Federal and State funds received by the University are subject to audit by the applicable governmental agencies and they can assess liabilities against the University, limit, suspend or terminate the University's participation in the various programs. Audits of certain major Federal programs have indicated that the University may not have fully complied with certain regulations governing the administration of certain programs. The ultimate outcome of these matters is not known at this time. However, the University is in the process of responding to the Federal government and believes that the resultant liability or loss of funding, if any, would not be material to its ongoing operations.

Federal Perkins Loan Program

Funds provided by the United States government under the Federal Perkins loan program are loaned to qualified students and may be re-loaned after collection. If the program had been liquidated, the potential liability under this program to the Federal government would be $394,866 and $323,721 as of June 30, 2010 and 2009, respectively.

Collective Bargaining Agreement

The University has a collective bargaining agreement covering certain of its full-time, regular clerical and technical employees. The University is in the process of re-negotiating the agreement.

K. NET ASSETS AND NET ASSETS RELEASED FROM RESTRICTIONS

Temporarily restricted net assets of $4,530,623 and $3,648,197 at June 30, 2010 and 2009, respectively, were available for instruction, research, institutional support and scholarships. Permanently restricted net assets of $12,191,623 and $11,925,502 at June 30, 2010 and 2009, respectively, consist of endowment funds whose income is to be used to fund scholarships and general educational support.

During the years ended June 30, 2010 and 2009, net assets of $944,939 and $2,072,927, respectively were released from donor restrictions by incurring costs and expenses satisfying the restricted purposes or by occurrence of other events specified by donors. Substantially all temporarily restricted net assets released from restrictions in 2010 and 2009 were for operations, scholarships and grant activities.

L. FUNCTIONAL ALLOCATION OF EXPENSES

During the years ended June 30, 2010 and 2009, the University allocated the cost of certain professional fees and the operation and maintenance of physical plant, including depreciation expense of $3,074,455 and $2,903,521, respectively, over the cost of providing instruction, research, academic support, institutional support and auxiliary enterprises as follows:

	2010	2009
Instruction	$1,097,319	$1,067,956
Research	705,419	693,478
Academic support	1,018,939	991,674
Student services	741,046	721,217
Institutional support	997,563	970,869
Auxiliary enterprises	2,565,161	2,496,521
Total operation and maintenance of physical plant	$7,125,447	$6,941,715

Interest expense totaling $604,180 and $629,272 for fiscal 2010 and 2009, respectively, has been included and allocated in the above amounts.

M. FUNDRAISING AND ADVERTISING EXPENSES

During the years ended June 30, 2010 and 2009, the University incurred fundraising expenses by its development and alumni offices, of $632,373 and $829,584, respectively.

The University also incurred advertising cost in the amounts of $7,610 and $9,790 for the years ended June 30, 2010 and 2009, respectively.

N. LEASES

The University leases certain equipment under non-cancelable operating leases which expire at various dates through November 2014. Rent expense under these lease arrangements amounted to $25,111 and $17,053 for the years ended June 30, 2010 and 2009, respectively.

Future minimum rental payments required under operating leases that have initial or remaining lease terms in excess of one year as of June 30, 2010, are as follows:

Year Ending June 30,	Amount
2011	$ 27,843
2012	27,843
2013	27,843
2014	16,766
2015	4,852
	$105,147

O. ENDOWMENT

The University's endowment consists of individual donor-restricted funds established for a variety of purposes. As required by GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Board of Trustees of the University has interpreted the applicable state laws as requiring the preservation of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the University classified as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the University in a manner consistent with the standard

O. ENDOWMENT - Continued

of prudence prescribed by applicable state laws. In accordance with applicable state laws, the University, considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purposes of the University and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the University
- The investment policies of the University

Changes in Endowment Net Assets

	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, July 1, 2009	$ 699,139	$ 11,731,975	$ 12,431,114
Investment return:			
Investment income	31,687	-	31,687
Net depreciation (realized and unrealized)	(395,762)	-	(395,762)
Total investment return	(364,075)	-	(364,075)
Contributions	-	393,527	393,527
Appropriation of endowment assets for expenditure (scholarships and fellowships)	(118,825)	-	(118,825)
Change in donor restriction	-	(200,000)	(200,000)
Endowment net assets, June 30, 2009	216,239	11,925,502	12,141,741
Investment return:			
Investment income	76,541	-	76,541
Net appreciation (realized and unrealized)	264,017	-	264,017
Total investment return	340,558	-	340,558
Contributions	-	266,121	266,121
Appropriation of endowment assets for expenditure (scholarships and fellowships)	(137,200)	-	(137,200)
Endowment net assets, June 30, 2010	$ 419,597	$ 12,191,623	$ 12,611,220

O. ENDOWMENT - Continued

Return Objectives and Risk Parameters

The University has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the University must hold in perpetuity or for a donor-specified period(s). Under this policy, as approved by the Board of Trustees, the endowment assets are invested with the objective of outperforming the S&P 500 by 50 basis points per annum, net of fees, with comparable or lower risks. The University expects its endowment funds, over time, to provide an average rate of return of at least 4% above inflation. Actual returns in any given year may vary from this amount. At June 30, 2010 and 2009, endowment assets consist of investments in marketable securities and certain investments in art collections.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the University relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The University targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The University's current policy of appropriating for distribution annually from its endowment funds is at the discretion of the Board of Trustees, based on each years' institutional objectives, not to exceed 6% of the previous 12-calendar quarter's average market values. In establishing this policy, the University considered the long-term expected return on its endowment. Accordingly, over the long term, the University expects the current spending policy to allow its endowment to grow at an average rate of 1% to 3% annually. This is consistent with the University's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

P. FAIR VALUE OF FINANCIAL INSTRUMENTS

Required disclosures concerning the estimated fair value of financial instruments are presented below. The estimated fair value amounts have been determined based on the University's assessment of available market information and appropriate valuation methodologies. The following table summarizes required fair value disclosures and measurements at June 30, 2010:

				Fair Value Measurements at Reporting Date Using		
	Carrying Amount	Estimated Fair Value	Measured at Fair Value	(Level 1)	(Level 2)	(Level 3)
2010:						
Assets:						
Investments in marketable securities	$ 4,937,225	$ 4,937,225	$ 4,937,225	$4,937,225	$ -	$ -
Investments in art collections	68,201,495	68,201,495	68,201,495	-	-	68,201,495
Real estate held for investment	123,350	123,350	123,350	-	-	123,350
Liabilities:						
Bank lines-of-credit and note payable	4,394,688	4,927,818	-	-	-	-
Bonds payable	8,464,519	8,914,631	-	-	-	-
2009:						
Assets:						
Investments in marketable securities	$ 4,802,823	$ 4,802,823	$ 4,802,823	$4,802,823	$ -	$ -
Investments in art collections	68,201,495	68,201,495	68,201,495	-	-	68,201,495
Real estate held for investment	123,350	123,350	123,350	-	-	123,350
Liabilities:						
Bank lines-of-credit and note payable	4,488,779	5,001,083	-	-	-	-
Bonds payable	8,729,519	9,179,519	-	-	-	-

There were no changes in Level 3 assets for the year-ended June 30, 2010.

P. FAIR VALUE OF FINANCIAL INSTRUMENTS - Continued

The following methods and assumptions were used to estimate the fair value of each class of financial instruments:

Cash, cash equivalents and restricted cash, receivables, accounts payable and accrued expenses, deferred revenue and advances from the Federal government

The carrying values of these items approximate their fair values due to the short maturities of these instruments.

Investments in marketable securities, art collections and real estate

Fair values are based on quoted market prices, where available, and on Level 3 inputs. The carrying amounts and the fair values of the University's investments are presented in Note D.

Bank lines-of-credit, note payable and bonds payable

For debt instruments with variable interest rates, the fair value approximates the carrying value. For fixed rate debt, fair value was estimated using discounted cash flow analyses based on the University's current incremental borrowing rates for similar types of borrowing arrangements.

Q. CONCENTRATION OF CREDIT RISK

Financial instruments which potentially subject the University to concentrations of credit risk consist principally of cash and investments held by the University. Cash at June 30, 2010 includes demand deposits at high quality financial institutions. The deposits possess credit risk to the extent they exceed federally insured limits; however, the University does not anticipate nonperformance by the various financial institutions and investees. The exposure to concentrations of credit risk relative to securities is dependent on the University's investment objectives and policies. An accounting risk also extends to receivables, net of allowances, which are uncollateralized.

R. SUBSEQUENT EVENTS

The University has evaluated subsequent events through April 14, 2011, the issuance date of the University's financial statements, and have determined that except as set forth in Note J, there are no subsequent events that require disclosure.

SUPPLEMENTAL INFORMATION

Grantor/Pass-Through Grantor/Program Title	CFDA Number	Expenditures
***Research and Development Cluster**		
National Oceanic and Atmospheric Administration (NOAA)		
Educational Partnership Program	11.481	$ 93,526
Total National Oceanic and Atmospheric Administration		93,526
U.S. Department of Defense		
Meharry subcontract in prostate cancer military research	12.420	4,914
Army-Navy Catalyst Developments	12.431	172,907
Acquisitions of Microwave Plasma	12.431	4,634
U.S. Army	12.431	91,706
AirForce Clarkson	12.800	30,781
Total U.S. Department of Defense		304,942
National Aeronautics and Space Administration		
AFOSR	43.001	52,706
AirForce Clarkson - Sensors research	43.001	41,512
AirForce Clarkson - Graphite research	43.001	46,851
Vanderbilt subcontract in space grant college and fellowship	43.001	35,630
Clarkson Aerospace Corp	43.001	9,528
Total National Aeronautics and Space Administration		186,227

* - denotes major program

The accompanying notes are an integral part of this schedule.

FISK UNIVERSITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - Continued
YEAR ENDED JUNE 30, 2010

Grantor/Pass-Through Grantor/Program Title	CFDA Number	Expenditures
National Science Foundation		
ARI - MA	47.041	$ 172,760
U.C. Davis	47.041	3,753
REU Undergraduate Training Materials	47.049	4,107
Case Western University	47.049	211,110
NSF Computational Study of Reaction mech.	47.049	36,771
CSEMS	47.049	17,115
GO-FARR	47.049	536,851
IRES	47.049	39,624
SGER Pulsed Electron Beam	47.049	53,310
CREST - Crystal Growth Energy	47.076	1,296,613
Northwestern/NCLT	47.076	23,670
Career Grant ARRA (American Recovery and Reinvestment Act)	47.076	35,639
Total National Science Foundation		2,431,323
U.S. Department of Energy		
NREL subcontract - development of Quantum Dept - sensitized ZNO and ti02 nanorod array solar cells	81.087	86,755
BWXT - Y-12	81.113	103,755
Livermore New Materials	81.113	180,290
Purification and Growth of Heavy Metal	81.113	90,644
Brookhaven National Lab	81.113	24,888
Washington Savannah River Co	81.113	28,086
Massie - Chair of Excellence Professorship	81.123	168,764
Total U.S. Department of Energy		683,182
U.S. Department of Health and Human Services		
Univ. of Cincinnati subcontract	93.114	27,880
Bio Medical research and research training	93.859	278
Laboratory reviewing research in breast cancer	93.859	5,358
Total U.S. Department of Health and Human Services		33,516

* - denotes major program

The accompanying notes are an integral part of this schedule.

Grantor/Pass-Through Grantor/Program Title	CFDA Number	Expenditures
U.S. Department of Homeland Security		
WUSTL Subcontract	97.077	$ 154,379
Total U.S. Department of Homeland Security		154,379
Total Research and Development Cluster		3,887,095
***Student Financial Aid Cluster**		
U.S. Department of Education		
Federal Supplemental Education Opportunity Grant	84.007	298,535
Federal Family Education Loan Program	84.032	5,777,884
Federal Work Study	84.033	193,534
Federal Pell Grant Program	84.063	1,370,930
ACG Grant	84.375	17,362
SMART Grant	84.376	42,000
Total U.S. Department of Education		7,700,245
Total Student Financial Aid Cluster		7,700,245
Other Federal Programs		
U.S. Department of Housing and Urban Development		
HBCU Program ARRA	14.520	4,943
HBCU Program	14.520	235,605
Total U.S. Department of Housing and Urban Development		240,548

* - denotes major program

The accompanying notes are an integral part of this schedule.

FISK UNIVERSITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - Continued
YEAR ENDED JUNE 30, 2010

Grantor/Pass-Through Grantor/Program Title	CFDA Number	Expenditures
National Science Foundation		
Masters to PhD Bridge program at Fisk	47.041	$ 40,320
Targeted infusion project	47.076	2,743
Total National Science Foundation		43,063
U.S. Department of Education		
Special education	84.027A	174,703
***Title III Strengthening Historically Black Colleges and Universities Program (HBCU)**	84.031	1,939,631
Student Support Services	84.042	219,825
Biotechnology Teaching Laboratory	84.120A	39,398
***HBCU Graduate**	84.382G	419,068
TSU Sites - M ARRA	84.395A	198,257
Total U.S. Department of Education		2,990,882
Department of Health and Human Services		
Morehouse subcontract in substance abuse and mental health services	93.243	1,887
Total Department of Health and Human Services		1,887
Total Expenditures of Federal Awards		$14,863,720

* - denotes major program

The accompanying notes are an integral part of this schedule.

A. BASIS OF ACCOUNTING

The accompanying schedule of expenditures of federal awards is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non*-Profit *Organizations*, on the accrual basis of accounting consistent with the basis of accounting used by the University in the preparation of its financial statements.

B. PERKINS LOANS (CFDA NO. 84.038)

The University administers the Perkins loan program. This loan program is part of the student financial aid program cluster for reporting purposes and related loan balances are reported in notes receivable, net, in the financial statements. The outstanding balance of Perkins loans at June 30, 2010, was:

	CFDA Number	Outstanding Balance
Federal Perkins Loans	84.038	$1,719,187

C. FEDERAL FAMILY EDUCATION LOANS (CFDA NO. 84.032)

During the fiscal year ending June 30, 2010, the University processed the following amount of new loans under the Federal Family Education Loans program (which includes subsidized and unsubsidized Stafford Loans, and Parents' Loans for Undergraduate Students):

	CFDA Number	Disbursements
Federal Family Education Loans	84.032	$5,777,884

D. ADMINISTRATIVE COSTS AND MATCHING

The University has received a waiver from the U.S. Department of Education and is not required to provide an institutional matching for certain Title IV programs.

The University is allowed to take up to 5% of campus-based programs as an administrative allowance.

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Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Members of the Audit Committee
Fisk University Board of Trustees
Nashville, Tennessee

We have audited the financial statements of Fisk University, (the "University"), as of and for the year ended June 30, 2010, and have issued our report thereon dated April 14, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered The University's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the University's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses, and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in Section II of the accompanying schedule of findings and questioned costs (Items IC-10-1 through IC-10-5) to be material weaknesses.

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A *significant deficiency* is a deficiency or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in Section II of the accompanying schedule of findings and questioned costs (Item IC-10-6) to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the University's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in Section II of the accompanying schedule of findings and questioned costs as item IC-10-2.

We noted certain matters that we reported to management of the University in a separate letter dated April 14, 2011.

The University's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the University's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the audit committee, management, Board of Trustees, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Crosslin & Associates, P.C.

April 14, 2011
Nashville, Tennessee

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Independent Auditors' Report on Compliance with Requirements that Could Have a Direct and Material Effect on Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133

Members of the Audit Committee
Fisk University Board of Trustees
Nashville, Tennessee

Compliance

We have audited Fisk University's (the "University") compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of the University's major federal programs for the year ended June 30, 2010. The University's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the University's management. Our responsibility is to express an opinion on the University's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the University's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the University's compliance with those requirements.

As described in items CF-10-1 and CF-10-2 in Section III of the accompanying schedule of findings and questioned costs, the University did not comply with certain requirements regarding reporting and return of funds applicable to its Title IV Federal Student Financial Aid (SFA) program. Compliance with such requirements is necessary, in our opinion, for the University to comply with requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraph, the University complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010. The results of our audit procedures also disclosed another instance of noncompliance with those requirements, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item CF 10-3.

Internal Control Over Compliance

The management of Fisk University is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the University's internal control over compliance with requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the University's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items IC-10-2 and CF-10-1 to be material weaknesses.

Members of the Audit Committee
Fisk University Board of Trustees

The University's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the University's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the audit committee, management, Board of Trustees, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than theses specified parties.

Crosslin & Associates, P.C.

April 14, 2011
Nashville, Tennessee

FISK UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2010

I. SUMMARY OF INDEPENDENT AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? _X_ Yes ___ No
- Significant deficiency(ies) identified? _X_ Yes ___ None Reported

Noncompliance material to financial statements noted? _X_ Yes ___ No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? _X_ Yes ___ No
- Significant deficiency(ies) identified? ___ Yes _X_ None Reported

Type of auditors' report issued on compliance for major programs: Qualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? _X_ Yes ___ No

Major Programs

CFDA Number	Grantor	Name of Federal Program	Amount Expended
Various	Various	Research and Development Cluster	$3,887,095
Various	Department of Education	Student Financial Aid Cluster	7,700,245
84.031	Department of Education	Title III - Strengthening HBCU Program	1,939,631
84.382G	Department of Education	HBCU Graduate	419,068

Dollar threshold used to distinguish between type A and type B program $300,000

Auditee qualified as low-risk auditee ___ Yes _X_ No

II. FINANCIAL STATEMENT FINDINGS

ITEM #IC 10-1

ACCOUNTING SYSTEM, FISCAL MANAGEMENT AND ACCOUNTING DISCIPLINE

Criteria, Condition, Context, Cause and Effect

In general, an accounting and information system should provide management with accurate and timely financial information to enable well-informed business decisions to be made. The University's system did not function properly during a portion of fiscal 2010 and therefore, did not meet these expectations. This was due to various reasons including the departure of the University's comptroller during the year and the inability of the University to fill this position for several months. Certain accounting functions, such as proper maintenance of the general ledger and reconciliations of various major asset and liability accounts, were not performed during this period weakening internal controls and making interim financial information unavailable or possibly inaccurate. Problems in receiving timely and accurate financial information can significantly impact management's ability to effectively guide an organization. Critical areas such as financial analysis, budgetary control, and cash flow can all be impacted. Government funding, the obtaining of grants, contributions and banking relationships can also be jeopardized by the lack of timely and accurate financial information and the lack of communication. There was a lack of review and reconciliation in many areas of the accounting and finance functions. We noted instances where accounting tasks such as monthly reconciliations of accounts and subsidiary ledgers to the general ledger, preparation of supporting schedules and journal entries, period end closings, cross checks, and reviews which play a key role in proving the accuracy of accounting data and financial information that comprise interim and year-end financial statements were not performed, performed incorrectly or were not performed in a timely manner. We encountered various instances where audit schedules and support provided by accounting staff did not reconcile with what was recorded in the general ledger. A lack of understanding of certain processes and the functionality of the University's accounting software (Banner) has contributed to these deficiencies. These instances affected many major asset, liability and net asset accounts such as:

- Cash
- Receivables (Perkins loans, government receivables, student accounts and pledges)
- Property and equipment and related depreciation
- Payables and accrued expenses
- Net asset categories for unrestricted, temporarily restricted and permanently restricted net assets
- Proper recognition of tuition and grant revenue
- Recording of various revenues and expenses to their proper accounts

II. FINANCIAL STATEMENT FINDINGS - Continued

ITEM #IC 10-1 - Continued

We understand that certain personnel additions, as well as, the implementation of accounting procedures near the end of fiscal 2010 and subsequent to year-end should significantly improve the system and assure existing processes are operating as designed by the University. We have not yet been able to test and evaluate the effectiveness of these accounting procedures.

Recommendation and Benefit

We recommend that the University monitor and improve the accounting and information systems, implement proper accounting procedures and assure personnel are in place that will facilitate the production of accurate financial information, and provide for accountability of assets and the maintenance of an accurate historical record of operations. Accounting and financial information is the language of business and must be properly assessed and comprehended in a timely manner in order to allow management to guide and direct the University into the future. The following are recommendations, which if implemented, can help move the University toward these goals:

- Continuing training of accounting staff in the use of the various accounting software functions (Banner).
- Development of a well-structured accounting policies and procedures manual that defines proper procedures and documentation for the various accounting processes, reconciliations and review.
- Properly trained and supervised accounting staff and a fiscal management team with the authority to assure that the proper procedures and internal controls are in place and are consistently followed.
- Continue to improve communication and exchange of financial and student information between departments in a timely manner.
- Assess staffing levels to ensure that they are at an appropriate level to perform critical accounting procedures in a timely manner.

Management's Response

Management agrees with the above recommendations and has implemented the following corrective actions: 1) Hired two trained and experienced senior managers to fill financial leadership positions. 2) Leveraged Banner expertise and resources from universities, consultants and support vendors to train the Business Office staff. In addition, we have made an investment in proprietary training for staff. 3) Review, revise and modify existing accounting/financial policies and procedures to implement and document a robust internal control system. 4) Continuously evaluate current staffing levels and job description to properly align roles and responsibilities to meet requirements for rigorous internal controls. 5) Continue formal cross-functional communication through its management level staff working in the

II. FINANCIAL STATEMENT FINDINGS - Continued

ITEM #IC 10-1 - Continued

Management's Response - Continued

Office of Business and Finance, the Office of the Registrar, the Office of Financial Aid, Office of Student Engagement and Information Technology Services. This team is dubbed the "3-C's" (Communication, Coordination and Collaboration), meets bi-weekly. Going forward, the team will meet on a weekly basis to identify areas for improved collaboration, reduce miscommunication and receive training. These meetings are in addition to daily exchanges among departments to resolve problems, report information useful to all offices and to review and resolve compliance issues and student complaints.

II. FINANCIAL STATEMENT FINDINGS - Continued

ITEM #IC 10-2

GRANT AND CONTRACT ACCOUNTING

Criteria, Condition, Context, Cause and Effect

Although ultimately resolved and corrected by the University, we encountered substantial errors in the University's schedule of expenditures of Federal awards and related internal grant rollforward schedule. The primary reason for these errors appears to be a lack of understanding of how the University's software system (Banner) generates certain grant data and the operation of the grant module as is integrates with the general ledger to produce certain reports. Also, for several months there was no reconciliation and review of grant data input into Banner with the information produced by the system.

Recommendation and Benefit

We recommend that the University evaluate the accounting processes for reconciliation and review of grant activity and assure personnel have adequate training on Banner to ensure grant activity is accurately recorded and reported.

Management's Response

Management agrees with the above recommendation and has implemented the following corrective actions: 1) Developed a comprehensive Schedule of Expenditures of Federal Awards (SEFA) Report which will be ready for upload into Banner on May 2011 following the upgrade of Banner 8. This will facilitate accurate and timely reporting and reconciliation of all grants. 2) Implement a Banner based Monthly Budget Review/Reconciliation process to align revenue and expenses. 3) Continue investment in staff training to expand and leverage Banner experts and resources from other universities, consultants and support vendors to enhance Banner training.

II. FINANCIAL STATEMENT FINDINGS - Continued

ITEM #IC 10-3

CASH RECONCILIATIONS

Criteria, Condition, Context, Cause and Effect

During the audit, we noted that bank statements for certain accounts of the University were not reconciled to the general ledger on a timely basis. We noted the bank reconciliation process was behind several months for most of the year due to various reasons, including turnover of certain accounting personnel. Bank reconciliations are an effective measure of internal control over cash. The risk of not identifying cash errors and possible misappropriation related to cash is greatly increased when cash accounts are not reconciled timely.

Recommendation

We recommend that all bank accounts be reconciled monthly by the University and that all unusual reconciling items be promptly investigated, adjusted and documented with adequate explanations. This will help reduce the likelihood of cash errors and misappropriation, and provide for more timely and accurate financial information, as well as assist in the effective management of cash flow.

Management's Response

Management agrees with the above recommendation and has taken the following corrective actions: 1) Implement daily reconciliation of the Bank Statement, General Ledger and SCT Banner. 2) Revised current cash policies and procedures to ensure that managers review cash reconciliation items and investigate and correct errors within five (5) business days. Finally, corrective actions taken will be reviewed and approved by Comptroller or CFO. 3) Continue to produce a daily cash report for management's review and use. 4) Conduct a monthly presentation during the scheduled Budget Review/Reconciliation process.

II. FINANCIAL STATEMENT FINDINGS - Continued

ITEM #IC 10-4

REVIEW OF JOURNAL ENTRIES

Criteria, Condition, Context, Cause and Effect

During our audit, it was noted that there was no documentation evident of management's review and approval of many journal entries prior to their posting to the general ledger. Although financial statements and data are reviewed monthly by management, the lack of review of journal entries could lead to misclassification of financial statement amounts, as well as allow possible errors or misappropriation to exist.

Recommendation and Benefits

We recommend that management categorize journal entries into recurring journal entries and nonrecurring journal entries. Management should review and authorize recurring journal entries at least annually (beginning of each year) and when situations change that would affect these entries. Nonrecurring journal entries should require documented authorization by management prior to posing to the general ledger.

Management's Response

Management agrees with the above recommendation and has implemented the following corrective actions: 1) Review of current Journal Entry (recurring and non-recurring) policies and procedures to determine that appropriate review and documentation is submitted to the log. 2) Retrain staff to make certain that the requirements for journal entries conform to procedures and that staff notify the Comptroller or CFO as journal entries are initiated. This will guarantee that review and approval are obtained prior to posting to the General Ledger. Each entry is signed by the originator and approved by management as a part of the monthly review of entire process.

II. FINANCIAL STATEMENT FINDINGS - Continued

ITEM #IC 10-5

ACCOUNTING AND ADMINISTRATION OF TEMPORARILY AND PERMANENTLY RESTRICTED NET ASSETS

Criteria, Condition, Context, Cause and Effect

The University did not maintain during the year a detailed rollforward listing of restricted funds that comprise temporarily and permanently restricted net assets. This information was prepared by the University subsequent to year-end during the course of the audit.

Recommendation and Benefit

The University should maintain and monitor an accurate listing and rollforward of those funds and accounts that comprise temporarily and permanently restricted net assets. In addition, policies and procedures should be in place to assure these contributed funds are properly tracked, monitored with their budgets, accounted for and maintained, and that the funds are utilized only for the purpose intended by the donors.

Management's Response

Management agrees with the above recommendation and has implemented the following corrective actions: 1) Review and revise fund monitoring policies, procedures and practices to ensure that the following actions occur as outlined. 2) While the University has maintained a detailed listing of its Temporarily and Permanently Restricted funds in separate bank accounts, some system errors in Banner during year end 2010 resulted in an inaccurate listing of the Temporarily and Permanently Restricted fund accounts. During the audit review, the Banner system errors were corrected and thereafter Fisk produced accurate listings of the two groups of accounts. 3) Provide continuous Banner training of the Business staff to ensure that no inappropriate entries to the Banner Finance module occurs. Regular monitoring of the Temporarily Restricted funds will occur as part of the daily cash reconciliation process. With respect to the Permanently restricted funds, the monitoring will take place when those accounts are accessed. 4) Reconciled items are investigated and corrected by Business staff within five (5) business days of occurrence. Thereafter, this action is approved by the Comptroller or CFO to ensure that the Bank Statement, General Ledger and SCT Banner match. 5) We will produce a fund account report for management's review on a monthly basis. The review will be conducted during the Budget Review/Reconciliation process.

II. FINANCIAL STATEMENT FINDINGS - Continued

ITEM #IC 10-6

PROPERTY AND EQUIPMENT

Criteria, Condition, Context, Cause and Effect

We noted the University expensed certain fixed assets purchased during the year and made adjustments during the audit process to capitalize these fixed assets. The University currently utilizes a fixed asset system that is not integrated and is separate from its primary accounting system and general ledger (Banner). Fixed asset information was not entered into this separate system until year-end. Failure to capitalize fixed asset additions as they are acquired understates assets and depreciation expense, and distorts interim financial statements and information made available to management throughout the year. It also provides for the possibility that all capital assets will not be properly identified and capitalized at year-end.

Recommendation

We recommend that the University properly capitalized all fixed assets as they are acquired throughout the year and calculate depreciation accordingly. The University should implement and fully utilize the fixed asset module of the Banner system. This integrated system would facilitate the specific identification and the creation of more detailed records of capital assets that would provide for more accurate depreciation calculations and accounting for property disposals. The system could also assist in the identification and inventory of assets purchased with various grant funds, which has been a recurring compliance issue for the University. The use of an integrated system would provide for better internal controls, more accurate interim reporting and is also likely to enhance the budgeting process.

Management's Response

Management agrees with the above recommendation and has implemented the following corrective actions: 1) We flag fixed assets at the time of purchase for proper asset capitalization. 2) We completed a 2-year project to record and label all University fixed assets in 2009/2010. 3) We captured all fixed assets in a separate database which resulted in proper capitalization and depreciation of fixed assets. 4) A rigorous cleanup of current Banner system is underway in preparation for an April 30, 2011 migration to Banner 8, a more robust version. The upgraded Fixed Asset Module will be configured and used to capitalize assets. 5) Fisk's migration to Banner 8 is scheduled to begin on April 15, 2011. During the set up phase, introductory training will be provided. Thereafter, the University will offer training in discreet modules to members of the staff and deans of the academic school who use the various Banner modules.

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

Item # CF 10-1

Federal Student Financial Aid Cluster
CFDA No. 84.007, 84.032, 84.033, 84.038, 84.063, 84.375, 84.376
U.S. Department of Education

Criteria

The University is required to properly complete and submit on a timely basis, the Fiscal Operations Report and Application to Participants (FISAP) which provides the U.S. Department of Education (DOE) with certain information regarding Title IV program funds.

Condition and Context

The University incorrectly reported certain information relating to program expenditures in the fiscal 2010 FISAP.

Questioned Cost

None.

Cause

The above finding resulted from the University not properly understanding, compiling and reporting certain requested information in the FISAP.

Effect

The University incorrectly reported certain information and expenditures in the fiscal 2010 FISAP.

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS - Continued

Item # CF 10-1 - Continued

Federal Student Financial Aid Cluster
CFDA No. 84.007, 84.032, 84.033, 84.038, 84.063, 84.375, 84.376
U.S. Department of Education

Recommendation

We recommend the University implement policies and procedures related to the proper completion, review, approval, and submission of the FISAP in order to assure proper information is reported to the DOE.

Management's Response

Management agrees with the above recommendation to comply with all Title IV requirements and has implemented the following corrective actions to eliminate any non-compliance: 1) Robust enforcement of its Title IV policies and procedures including monthly reviews and appropriate oversight of student enrollment and attendance to ensure FISAP reports are completed accurately and delivered timely to the Department of Education. 2) Strengthened internal communications among its various offices/departments including Financial Aid, Admissions, Student Engagement, Registrars and Business & Administration through its 3-C's (Communication, Coordination and Collaboration) team effort, which meets weekly to resolve accountability issues. 3) Full upgrade to its Banner System including training of faculty and staff to adhere to internal controls.

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS - Continued

ITEM # CF 10-2

Federal Student Financial Aid Cluster
CFDA No. 84.007, 84.032, 84.033, 84.038, 84.063, 84.375, 84.376
U.S. Department of Education

Criteria

Upon a student's withdrawal from the University, the University must determine whether return of Title IV funds to the program or lender is required, and if so, make the appropriate refunds within the required timeframe (45 days) established by the U.S. Department of Education (DOE).

Condition and Context

Although correctly calculated and returned by the University, the return of Title IV funds for one of five student tested who officially withdrew, were not made within the require time frame (45 days).

Questioned Cost

None.

Cause

The University was not consistently following its policy of calculating and returning Title IV funds to the appropriate program or lenders within the timeframes established by the DOE.

Effect

The University was not in compliance with the requirements to timely return Title IV funds to the program or lender.

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS - Continued

ITEM # CF 10-2 - Continued

Federal Student Financial Aid Cluster
CFDA No. 84.007, 84.032, 84.033, 84.038, 84.063, 84.375, 84.376
U.S. Department of Education

Recommendation

The University should consistently follow its policies and procedures relating to the timely return of Title IV funds for students who officially and unofficially withdraw from the University, to assure that Title IV refunds are returned to the appropriate programs and/or lenders within the required time period after each student's withdrawal.

Management's Response

Management agrees with the above recommendation to comply with all Title IV requirements and has implemented the following corrective actions to eliminate any non-compliance: 1) Robust enforcement of its Title IV policies and procedures including monthly reviews and appropriate oversight of student enrollment and attendance to ensure FISAP reports are completed accurately and delivered timely to the Department of Education. 2) Strengthened internal communications among its various offices/departments including Financial Aid, Admissions, Student Engagement, Registrars and Business & Administration through its 3-C's (Communication, Coordination and Collaboration) team effort, which meets weekly to resolve accountability issues. 3) Full upgrade to its Banner System including training of faculty and staff to adhere to internal controls. 4) The University's procedure to review and make appropriate refunds for student withdrawals on a monthly basis will be enforced.

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS - Continued

ITEM # CF 10-3

Research and Development Cluster
Graduate Opportunities at Fisk in Astronomy and Astrophysics Research (GO-FARR)
National Science Foundation
CFDA No. 47.049
U.S. Department of Energy

Criteria

Under the terms of the grant agreement, the University is allowed to charge for fringe benefits related to associate salaries incurred in performance of grant objectives.

Condition and Context

During expenditure testing of the Research and Development Cluster it was noted that fringe benefit expenses for one associate were charged to the program although the University did not incur any actual fringe benefit expenses for that associate. This is due to the associate being an employee of another University that incurred the employee’s actual fringe benefit expenses. The grant is on a reimbursement basis and the charge back for fringe benefits can be considered allowable costs only if the University actually incurs these costs.

Questioned Cost

Known questioned costs totaled $2,042.

Cause

The University personnel monitoring this grant was not aware the University was not incurring actual fringe benefit expenses for this employee and inadvertently charged, and the University received, reimbursements for fringe benefits based on the percentage allowed for by the grant agreement.

Effect

The University received reimbursement for fringe benefits not actually incurred.

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS - Continued

ITEM # CF 10-3 - Continued

Research and Development Cluster
Graduate Opportunities at Fisk in Astronomy and Astrophysics Research (GO-FARR)
National Science Foundation
CFDA No. 47.049
U.S. Department of Energy

Recommendation

We recommend that the University ensure appropriate personnel become familiar with and consistently monitor and adhere to all applicable requirements and provisions of this grant contract.

Management's Response

Management agrees with the above recommendation to adhere to all applicable requirements and provisions of its grant agreements and has implemented the following corrective actions to eliminate any non-compliance: 1) Correction of this minor error which did not overspend this grant. 2) Excess reimbursement, if any, will be refunded. 3) Development of a comprehensive Schedule of Expenditures of Federal Award (SEFA) tool to facilitate accurate and timely recording, reconciliation and reporting of all grants. 4) Implementation of a monthly budget review/reconciliation process to properly align actual expenses with reimbursable costs. 5) Strengthened internal controls and enforcement over its grants by moving the oversight for Sponsored Programs (Grants) under the Business Office. 6) Utilization of the Grants Module in Banner following the full system upgrade and training of faculty and staff.

PRIOR AUDIT FINDINGS AND QUESTIONED COSTS

ITEM # CF 09-1

Federal Student Financial Aid Cluster
CFDA No. 84.007, 84.032, 84.033, 84.038, 84.063, 84.375, 84.376
U.S. Department of Education

Criteria

Upon a student's withdrawal from the University, the University must return Title IV funds to the program or lender within the required time frame (45 days) established by the U.S. Department of Education (DOE).

The University is not required to take attendance and therefore may calculate the withdrawal date for students who do not provide official notification of withdrawal, no later than 45 days after the end of the earlier of:

1. The payment period or the period of enrollment
2. The academic year
3. The student's educational program

Condition and Context

Although correctly calculated and returned by the University, the return of Title IV funds for three of five student tested who officially withdrew, were not made within the required time frame (45 days).

The University also failed to calculate and return Title IV funds within the required time frame (45 days), for students who did not provide official notification of withdrawal.

Questioned Cost

None.

Cause

Through oversight, the University did not consistently follow its established policy of returning Title IV funds to the program within the time frames established by the DOE. The University failed, in a timely manner, to evaluate students with all failing grades and other indications of withdrawal, to determine if they had unofficially withdrawn from the University.

Effect

The University was not in compliance with the requirements to timely calculate and return Title IV funds to the program or lender.

PRIOR AUDIT FINDINGS AND QUESTIONED COSTS - Continued

ITEM # CF 09-1 - Continued

Recommendation

The University should consistently follow its policies and procedures relating to the timely return of Title IV funds for students who officially or unofficially withdraw from the University. We recommend that at the end of each semester the University review attendance records (certain academic departments do elect to take attendance) and transcripts of all students who have received Title IV funds to determine if students have unofficially withdrawn. Refund calculations should be made for these students who received Title IV funds and the proper amount of Title IV funds should be refunded to the appropriate program and/or lender within the required time frames.

Status

In the testing of this program for fiscal 2010, this type of violation has recurred and a similar finding has been reported. See Item #CF 10-1.

PRIOR AUDIT FINDINGS AND QUESTIONED COSTS - Continued

ITEM # CF 09-2

Research and Development Cluster
National Nuclear Security Administration Minority Serving Institutions Program - Radiation Detection Laboratory
CFDA No. 81.123
U.S. Department of Energy

Criteria

The University is required to file an inventory report of all equipment that is purchased using federal funds.

Condition and Context

The inventory report was submitted to the agency, Renesselaer Polytechnic Institute, on June 1, 2009. This inventory report improperly excluded a Turbomolecular pump with NW40 Inlet which was purchased from Edwards Vacuum Inc. on April 8, 2009.

Questioned Cost

None.

Cause

The completeness of the inventory report maintained for the program was not properly monitored by the University.

Effect

The inventory report submitted to the agency was incomplete.

Recommendation

We recommend the University closely monitor all inventory reports that are required to be maintained and submitted to grantors and government agencies. This report should be cross-referenced with the University's fixed asset listing, if applicable, to ensure all items have been properly included.

Status

The University has effectively implemented policies, and procedures relating to the inventory reporting for equipment purchased using federal funds and the above finding has been resolved.

CROSSLIN
& ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANTS

April 14, 2011

Members of the Audit Committee
Fisk University Board of Trustees
Nashville, Tennessee

We have audited the financial statements of Fisk University ("the University") for the year ended June 30, 2010, and have issued our report thereon dated April 14, 2011.

In planning and performing our audit of the financial statements of Fisk University ("the University") as of and for the year ended June 30, 2010, in accordance with auditing standards generally accepted in the United States of America, we considered the University's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control. Accordingly, we do not express an opinion on the effectiveness of the University's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

We consider the following deficiencies in the University's internal control to be material weaknesses:

ACCOUNTING SYSTEM, FISCAL MANAGEMENT AND ACCOUNTING DISCIPLINE

Observation

In general, an accounting and information system should provide management with accurate and timely financial information to enable well-informed business decisions to be made. The University's system did not function properly during a portion of fiscal 2010 and therefore, did not meet these expectations. This was due to various reasons including the departure of the University's comptroller during the year and the inability of the University to fill this position for several months. Certain accounting functions, such as proper maintenance of the general ledger and reconciliations of various major asset and liability accounts, were not performed during this period weakening internal controls and making interim financial information unavailable or possibly inaccurate. Problems in receiving timely and accurate financial information can significantly impact management's ability to effectively guide an organization. Critical areas such as financial analysis, budgetary control, and cash flow can all be impacted. Government funding, the obtaining of grants, contributions and banking relationships can also be jeopardized by the lack of timely and accurate financial information and the lack of communication. There was a lack of review and reconciliation in many areas of the accounting and finance functions. We noted instances where accounting tasks such as monthly reconciliations of accounts and subsidiary ledgers to the general ledger, preparation of supporting schedules and journal entries, period end closings, cross checks, and reviews which play a key role in proving the accuracy of accounting data and financial information that comprise interim and year-end financial statements were not performed, performed incorrectly or were not performed in a timely manner. We encountered various instances where audit schedules and support provided by accounting staff did not reconcile with what was recorded in the general ledger. A lack of understanding of certain processes and the functionality of the University's accounting software (Banner) has contributed to these deficiencies. These instances affected many major asset, liability and net asset accounts such as:

- Cash
- Receivables (Perkins loans, government receivables, student accounts and pledges)
- Property and equipment and related depreciation
- Payables and accrued expenses
- Net asset categories for unrestricted, temporarily restricted and permanently restricted net assets
- Proper recognition of tuition and grant revenue
- Recording of various revenues and expenses to their proper accounts

We understand that certain personnel additions, as well as, the implementation of accounting procedures near the end of fiscal 2010 and subsequent to year end should significantly improve the system and assure existing processes are operating as designed by the University. We have not yet been able to test and evaluate the effectiveness of these accounting procedures.

Recommendation and Benefit

We recommend that the University monitor and improve the accounting and information systems, implement proper accounting procedures and assure personnel are in place that will facilitate the production of accurate financial information, and provide for accountability of assets and the maintenance of an accurate historical record of operations. Accounting and financial information is the language of business and must be properly assessed and comprehended in a timely manner in order to allow management to guide and direct the University into the future. The following are recommendations, which if implemented, can help move the University toward these goals:

- Continuing training of accounting staff in the use of the various accounting software functions (Banner).
- Development of a well-structured accounting policies and procedures manual that defines proper procedures and documentation for the various accounting processes, reconciliations and review.
- Properly trained and supervised accounting staff and a fiscal management team with the authority to assure that the proper procedures and internal controls are in place and are consistently followed.
- Continue to improve communication and exchange of financial and student information between departments in a timely manner.
- Assess staffing levels to ensure that they are at an appropriate level to perform critical accounting procedures in a timely manner.

Management's Response

Management agrees with the above recommendations and has implemented the following corrective actions: 1) Hired two trained and experienced senior managers to fill financial leadership positions. 2) Leveraged Banner expertise and resources from universities, consultants and support vendors to train the Business Office staff. In addition, we have made an investment in proprietary training for staff. 3) Review, revise and modify existing accounting/financial policies and procedures to implement and document a robust internal control system. 4) Continuously evaluate current staffing levels and job description to properly align roles and responsibilities to meet requirements for rigorous internal controls. 5) Continue formal cross-functional communication through its management level staff working in the Office of Business and Finance, the Office of the Registrar, the Office of Financial Aid, Office of Student Engagement and Information Technology Services. This team is dubbed the "3-C's" (Communication, Coordination and Collaboration), meets bi-weekly. Going forward, the team will meet on a weekly basis to identify areas for improved collaboration, reduce miscommunication and receive training. These meetings are in addition to daily exchanges among departments to resolve problems, report information useful to all offices and to review and resolve compliance issues and student complaints.

GRANT AND CONTRACT ACCOUNTING

Observation

Although ultimately resolved and corrected by the University, we encountered substantial errors in the University's schedule of expenditures of Federal awards and related internal grant rollforward schedule. The primary reason for these errors appears to be a lack of understanding of how the University's software system (Banner) generates certain grant data and the operation of the grant module as is integrates with the general ledger to produce certain reports. Also, for several months there was no reconciliation and review of grant data input into Banner with the information produced by the system.

Recommendation and Benefit

We recommend that the University evaluate the accounting processes for reconciliation and review of grant activity and assure personnel have adequate training on Banner to ensure grant activity is accurately recorded and reported.

Management's Response

Management agrees with the above recommendation and has implemented the following corrective actions: 1) Developed a comprehensive Schedule of Expenditures of Federal Awards (SEFA) Report which will be ready for upload into Banner on May 2011 following the upgrade of Banner 8. This will facilitate accurate and timely reporting and reconciliation of all grants. 2) Implement a Banner based Monthly Budget Review/Reconciliation process to align revenue and expenses. 3) Continue investment in staff training to expand and leverage Banner experts and resources from other universities, consultants and support vendors to enhance Banner training.

CASH RECONCILIATIONS

Observation

During the audit, we noted that bank statements for certain accounts of the University were not reconciled to the general ledger on a timely basis. We noted the bank reconciliation process was behind several months for most of the year due to various reasons, including turnover of certain accounting personnel. Bank reconciliations are an effective measure of internal control over cash. The risk of not identifying cash errors and possible misappropriation related to cash is greatly increased when cash accounts are not reconciled timely.

Recommendation

We recommend that all bank accounts be reconciled monthly by the University and that all unusual reconciling items be promptly investigated, adjusted and documented with adequate explanations. This will help reduce the likelihood of cash errors and misappropriation, and provide for more timely and accurate financial information, as well as assist in the effective management of cash flow.

Management's Response

Management agrees with the above recommendation and has taken the following corrective actions: 1) Implement daily reconciliation of the Bank Statement, General Ledger and SCT Banner. 2) Revised current cash policies and procedures to ensure that managers review cash reconciliation items and investigate and correct errors within five (5) business days. Finally, corrective actions taken will be reviewed and approved by Comptroller or CFO. 3) Continue to produce a daily cash report for management's review and use. 4) Conduct a monthly presentation during the scheduled Budget Review/Reconciliation process.

REVIEW OF JOURNAL ENTRIES

Observation

During our audit, it was noted that there was no documentation evident of management's review and approval of many journal entries prior to their posting to the general ledger. Although financial statements and data are reviewed monthly by management, the lack of review of journal entries could lead to misclassification of financial statement amounts, as well as allow possible errors or misappropriation to exist.

Recommendation and Benefits

We recommend that management categorize journal entries into recurring journal entries and nonrecurring journal entries. Management should review and authorize recurring journal entries at least annually (beginning of each year) and when situations change that would affect these entries. Nonrecurring journal entries should require documented authorization by management prior to posing to the general ledger.

Management's Response

Management agrees with the above recommendation and has implemented the following corrective actions: 1) Review of current Journal Entry (recurring and non-recurring) policies and procedures to determine that appropriate review and documentation is submitted to the log. 2) Retrain staff to make certain that the requirements for journal entries conform to procedures and that staff notify the Comptroller or CFO as journal entries are initiated. This will guarantee that review and approval are obtained prior to posting to the General Ledger. Each entry is signed by the originator and approved by management as a part of the monthly review of entire process.

ACCOUNTING AND ADMINISTRATION OF TEMPORARILY AND PERMANENTLY RESTRICTED NET ASSETS

Observation

The University did not maintain during the year a detailed rollforward listing of restricted funds that comprise temporarily and permanently restricted net assets. This information was prepared by the University subsequent to year end during the course of the audit.

Recommendation and Benefit

The University should maintain and monitor an accurate listing and rollforward of those funds and accounts that comprise temporarily and permanently restricted net assets. In addition, policies and procedures should be in place to assure these contributed funds are properly tracked, monitored with their budgets, accounted for and maintained, and that the funds are utilized only for the purpose intended by the donors.

Management's Response

Management agrees with the above recommendation and has implemented the following corrective actions: 1) Review and revise fund monitoring policies, procedures and practices to ensure that the following actions occur as outlined. 2) While the University has maintained a detailed listing of its Temporarily and Permanently Restricted funds in separate bank accounts, some system errors in Banner during year end 2010 resulted in an inaccurate listing of the Temporarily and Permanently Restricted fund accounts. During the audit review, the Banner system errors were corrected and thereafter Fisk produced accurate listings of the two groups of accounts. 3) Provide continuous Banner training of the Business staff to ensure that no inappropriate entries to the Banner Finance module occurs. Regular monitoring of the Temporarily Restricted funds will occur as part of the daily cash reconciliation process. With respect to the Permanently restricted funds, the monitoring will take place when those accounts are accessed. 4) Reconciled items are investigated and corrected by Business staff within five (5) business days of occurrence. Thereafter, this action is approved by the Comptroller or CFO to ensure that the Bank Statement, General Ledger and SCT Banner match. 5) We will produce a fund account report for management's review on a monthly basis. The review will be conducted during the Budget Review/Reconciliation process.

*** * * * ***

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness yet important enough to merit attention by those charged with governance. We consider the following deficiency in the University's internal control to be a significant deficiency:

PROPERTY AND EQUIPMENT

Observation

We noted the University expensed certain fixed assets purchased during the year and made adjustments during the audit process to capitalize these fixed assets. The University currently utilizes a fixed asset system that is not integrated and is separate from its primary accounting system and general ledger (Banner). Fixed asset information was not entered into this separate system until year-end. Failure to capitalize fixed asset additions as they are acquired understates assets and depreciation expense, and distorts interim financial statements and information made available to management throughout the year. It also provides for the possibility that all capital assets will not be properly identified and capitalized at year-end.

Recommendation

We recommend that the University properly capitalized all fixed assets as they are acquired throughout the year and calculate depreciation accordingly. The University should implement and fully utilize the fixed asset module of the Banner system. This integrated system would facilitate the specific identification and the creation of more detailed records of capital assets that would provide for more accurate depreciation calculations and accounting for property disposals. The system could also assist in the identification and inventory of assets purchased with various grant funds, which has been a recurring compliance issue for the University. The use of an integrated system would provide for better internal controls, more accurate interim reporting and is also likely to enhance the budgeting process.

Management's Response

Management agrees with the above recommendation and has implemented the following corrective actions: 1) We flag fixed assets at the time of purchase for proper asset capitalization. 2) We completed a 2-year project to record and label all University fixed assets in 2009/2010. 3) We captured all fixed assets in a separate database which resulted in proper capitalization and depreciation of fixed assets. 4) A rigorous cleanup of current Banner system is underway in preparation for an April 30, 2011 migration to Banner 8, a more robust version. The upgraded Fixed Asset Module will be configured and used to capitalize assets. 5) Fisk's migration to Banner 8 is scheduled to begin on April 15, 2011. During the set up phase, introductory training will be provided. Thereafter, the University will offer training in discreet modules to members of the staff and deans of the academic school who use the various Banner modules.

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In addition, during our audit, we noted certain other matters involving the internal control and operations that are presented for your consideration. This letter does not affect our report dated April 14, 2011 on the financial statements of Fisk University. We will review the status of these comments during our next audit engagement. Our comments and recommendations, all of which have been discussed with appropriate members of management, are intended to improve the internal control or result in other operating efficiencies. We will be pleased to discuss these comments in further detail at your convenience or assist you in implementing the recommendations. Our other comments are summarized as follows:

PERKINS LOAN PROGRAM

Observation

We noted during our audit that the University's cohort default rate for the Perkins Loan program was significantly higher in fiscal 2010 and 2009 than in previous years. We understand that because of the low number of students that enter repayment status each year, just a few in default can have a significant impact on the default rate. However, the rate is currently close to, although below, the threshold established by the U.S. Department of Education that could jeopardize the University's participation in the program.

Recommendation and Benefit

Although the University utilizes a third-party company to administer many aspects of the Program, the University should assess possible solutions to the high rate of default (ie: assignment of loans to the Federal government or expanding collection efforts) and establish a plan to reduce the default rate and monitor the level periodically through the year. This will help to ensure that the University continues to comply with program requirements and maintains its eligibility to continue to participate in the Perkins Loan program.

Management's Response

Management agrees with the above recommendation and will implement the following corrective actions: 1) Utilize the existing third party reports received by Students Accounts that identify defaulted borrowers and those in danger of entering default on their Federal Perkins Loans to communicate to each borrower the negative impact of being in default. The letter will urge each borrower approaching or at default to contact Fisk's third party servicer to develop alternatives to default 2) Focus collection efforts on borrowers in default as a part of the Fisk Federal Perkins Loan Default Prevention Plan and 3) Assign Federal Perkins Loan defaulted accounts to the Department of Education where appropriate.

ENDOWMENT FUNDS

Observation

In fiscal 2008, the State of Tennessee enacted laws adopting the Uniform Prudent Management of Institutional Funds Act, and in response, the University has revised its investment and spending policies as related to their endowment funds. However, a significant portion of the University's endowment assets are currently in the form of investments in art, which served to repay borrowings, made several years ago from the endowment funds by the University to utilize for operations. Investments in non-income producing assets such as art do not produce the liquid income necessary to fund the scholarships and other purposes intended by the donors who established the endowment funds. Management has attempted to fulfill the spending requirements of the endowment funds, as established by the donors, through the awarding of institutional scholarships and operational spending. It is the University's intention to replace the investments in art as an endowment asset with investments in marketable securities upon the sale of certain art, as discussed in Note J to the fiscal 2010 financial statements.

Recommendation and Benefit

We recommend that the University establish a plan to strengthen the current processes and procedures relating to its endowment management to ensure that all state laws are complied with, and that the intentions of each endowment donor are fulfilled by the University.

Management's Response

Management agrees with the above recommendation and has implemented the following corrective actions: 1) Current policies prohibit the University management from accessing endowment funds without prior board approval. 2) Review endowment requirements quarterly to ensure that requirements are recorded and that donor intent is honored. 3) Monitor investment and spending policies and practices as a further control of donors' intent. 4) Subject to a successful outcome of pending litigation in the State of Tennessee, the University will implement a Board resolution passed in May 2004 to use a portion of the proceeds from the sale of certain art to replace endowment borrowing with marketable securities.

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This report is intended solely for the information and use of the audit committee, management, Board of Trustees, and others associated with the University and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Crosslin & Associates, P.C.

CROSSLIN & ASSOCIATES, P.C.